



STATE OF INDIANA
OFFICE OF THE GOVERNOR
State House, Second Floor
Indianapolis, Indiana 46204

Mitchell E. Daniels, Jr.
Governor

December 11, 2008

Dear fellow state employees:

After the most careful consideration and reflection, I have come with regret to the decision not to authorize a pay increase across state government this year. I held back a final decision in the hope that the new revenue forecast would project enough revenue to make a raise possible, but it does not. With the sobering challenges ahead of us, I believe the best we can do is to maintain current pay levels.

This is one of many difficult decisions we will make in state government in the coming months. It's especially unfortunate when we have worked so hard to increase employee compensation in the past several years and relate it to job performance.

In my view, all employees who do a good job deserve more than they are earning today, and top performers much more, and we are headed in that direction in our approach to compensation. Our employee bonus programs--both spot bonuses and public service awards--will continue, and we will try to strengthen them in 2009 so that outstanding work will be amply rewarded.

To be fair and effective, this policy must be comprehensive. Therefore, I will forgo the pay raise that is scheduled for the governor this year, and the other statewide officeholders, judges, and legislators have agreed to do the same.

Thanks in large part to your work over the past four years, Indiana is in better shape than most, and we are determined to avoid the huge layoffs and service cutbacks already occurring in many states. Today's decision, though regrettable, will help enable Indiana to maintain the strong and solvent position we have all worked so hard to achieve.

Best regards,

Mitch